

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 98-005-G - ORDER NO. 98-824

OCTOBER 26, 1998

IN RE: Annual Review of Purchased Gas Adjustment) ORDER ✓
(PGA) and Gas Purchasing Policies of United)
Cities Gas Company.)

INTRODUCTION

This matter comes before the Public Service Commission of South Carolina ("Commission") on annual review of the Purchased Gas Adjustment ("PGA") and Gas Purchasing Policies of United Cities Gas Company, a Division of Atmos Energy Corporation ("United Cities" or "Company").

By letter dated April 13, 1998, the Commission's Executive Director instructed United Cities to publish one time a prepared Notice of Filing concerning the review scheduled before the Commission. The Notice of Filing indicated the nature of the proceeding and advised all interested parties of the manner and time in which to file appropriate pleadings for participation in the proceedings. United Cities was also instructed to directly notify all of its customers who would be affected by the review proceeding. United Cities submitted documentation indicating that it had complied with the instructions of the Executive Director. A Petition to Intervene was received from the Consumer Advocate for the State of South Carolina ("Consumer Advocate").

A public hearing regarding the Company's Purchased Gas Adjustment and Gas Purchasing Policies was convened on October 8, 1998, at 10:30 A.M. in the

Commission's hearing room at Koger Executive Center, 101 Executive Center Drive, Columbia, South Carolina. The Honorable Philip T. Bradley, Chairman, presided. Jerry W. Amos, Esquire and Kevin A. Hall, Esquire represented United Cities. Mr. Hall requested that Mr. Amos, a member in good standing in the North Carolina Bar, be admitted pro hac vice to participate in the proceeding before the Commission. The Commission granted the motion to admit Mr. Amos pro hac vice. Hana Pokorna-Williamson, Esquire, represented the Consumer Advocate, and Florence P. Belser, Staff Counsel, represented the Commission Staff.

United Cities presented the testimony and exhibits of Mark A. Martin, Rate Analyst of Atmos Energy Corporation, United Cities Gas Company Division. The Consumer Advocate did not present a witness. The Commission Staff presented Norbert M. Thomas, Public Utilities Accountant, and Brent L. Sires, Utilities Rate Analyst, to report the findings of the Staff.

FINDINGS OF FACT

Based upon the testimony and exhibits received into evidence at the hearing and the entire record of these proceedings, the Commission now makes the following findings of fact:

1. United Cities is a natural gas utility providing natural gas service in its service area within South Carolina, and its operations in South Carolina are subject to the jurisdiction of the Commission pursuant to S.C. Code Ann. §58-5-10, et seq. (1976), as amended.

2. United Cities' presently approved PGA Rider mechanism was last amended by Commission Order No. 94-1126, dated October 28, 1994, in Docket No. 94-009-G. United Cities is operating its PGA Rider in compliance with Commission Order No. 94-1126.

3. United Cities' net Balancing Adjustment resulted in an over-recovery of (\$140,872) in gas costs for the twelve months ended June 30, 1998.

4. The appropriate Balancing Adjustments for United Cities is (\$0.0106) per therm applicable to Firm customers and (\$0.0041) per therm applicable to Optional or Interruptible customers.

5. United Cities' gas purchasing policies for the year under review were prudent and reasonable.

EVIDENCE AND CONCLUSIONS

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 1.

The evidence supporting this finding concerning United Cities' business and legal status is contained in prior Commission Orders in the docket files of the Commission of which the Commission takes judicial notice. This finding of fact is essentially informational, procedural, and jurisdictional in nature, and the matters which it involves are uncontested.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACTS NOS. 2, 3, AND 4.

The evidence supporting these findings is contained in the testimony of Company witness Martin and Staff Witnesses Thomas and Sires. In Order No. 94-1126 dated October 28, 1994, the Commission approved the PGA Rider presently used by United

Cities. (Testimony of Sires, p. 2, ll. 1 – 4; Testimony of Martin, p. 3, ll. 6 – 8.) Staff Witness Sires testified that his examination of the Company's PGA filings indicated that United Cities is operating the PGA Rider in compliance with Order No. 94-1126. (Testimony of Sires, p.2, ll. 4-7).

According to the testimony of Staff Witness Thomas, the Accounting Department reviewed the calculations included in the annual PGA true-up and traced amounts included in the calculations to the books and records of the Company. A net Balancing Adjustment of (\$140,872) was computed for the twelve months ended June 30, 1998, and the net balancing adjustments of (0.0106) per therm applicable to Firm customers and (\$0.0041) per therm applicable to Optional or Interruptible customers reflects an over-recovery for the twelve months ended June 30, 1998. (Testimony of Thomas, p. 2, ll.7 – 20.) The activity included in the true-up computation for the period July 1997 through June 30, 1998, included the following:

1. Invoice Gas Costs representing the monthly demand and commodity charges associated with gas purchases - For the twelve months under review, Demand Costs were \$918,147 and Commodity Costs were \$5,199,068. From these amounts Storage Injections of (\$723,578) were deducted, Storage Withdrawals of \$660,967 were added, margin losses of \$179,714 were included in accordance with the Company's approved PGA, and net Cash-outs from Transportation customers of (\$15,784) were deducted for Total Invoiced Commodity Costs of \$5,300,387. (Testimony of Thomas, p. 2, l. 21 – p.3, l. 15.)

2. Firm Demand Costs Recovered, Optional Demand Costs Recovered and Commodity Costs Recovered – For the twelve months ended June 30, 1998, Firm Demand Cost Recoveries were \$871,034, Optional Demand Cost Recoveries were \$183,420, and Commodity Cost Recoveries were \$5,379,520. These recoveries resulted in an over-recovery of Firm Demand of (\$113,564), or (\$0.0094) per therm; an over-recovery of Optional Demand of (\$22,744), or (\$0.0029) per therm; and an over-recovery of Commodity Costs of (\$79,133), or (\$0.0012) per therm. The total over-recovery for the review period is (\$215,441). (Testimony of Thomas, p.3, l.16 – p.4, l.9.).
3. Supplier Refunds – During the period under review, United Cities received Supplier Refunds of \$560. Computed interest on Supplier Refunds at 8.75% was \$54, for total Supplier Refunds with Interest of \$614. United Cities requested, and the Staff concurred, that this amount should be returned to the ratepayers by increasing the over-collection for the period under review. (Testimony of Thomas, p. 4, ll. 10 – 16.).
4. Residual Balancing Adjustment – In accordance with the currently-approved PGA for United Cities, a residual amount of \$75,183 is included in the true-up computation. This residual amount represents the amount remaining to be collected from the net balancing adjustment for the twelve months ending June 30, 1996. The amount reduces the over-collection for the period under review. The net balancing adjustment at June 30, 1997, is currently being billed and will continue through October 31, 1998. Any residual balance

remaining will be included in the next annual review period. (Testimony of Thomas, p.4, l. 17 – p. 5, l.3.).

Staff Witness Thomas testified that the balance at June 30, 1998, of (\$140,872) accurately stated and fairly represented the over-collection by United Cities for the twelve months ended June 30, 1998, and that the proposed decrements, including commodity, of (\$0.0106) for Firm Customers and (\$0.0041) for Optional Customers should return the over-collection to ratepayers during the 12-month period beginning November 1, 1998. (Testimony of Thomas, p. 5, ll. 4-13.).

Therefore, based on the evidence presented, the Commission concludes that the appropriate Balancing Adjustment for United Cities is (\$0.0106) for Firm Customers and (\$0.0041) for Optional or Interruptible Customers and that these Balancing Adjustments will return the over-collection during the next twelve months.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 5.

The evidence supporting the Commission's finding that United Cities' Gas Purchasing Policies were prudent is found in the testimony of Staff Witness Sires. According to Mr. Sires, Staff is of the opinion that changes still occurring in the natural gas industry require that United Cities continue to have the flexibility that is currently inherent in its approved PGA rider. (Testimony of Sires, p. 6, ll. 1 – 8.). Mr. Sires also stated that he concluded that United Cities has continued its attempts to obtain the best terms available in negotiations with suppliers and in proceedings with the Federal Energy Regulatory Commission ("FERC"). (Testimony of Sires, p. 7, l. 3 – 10.). Mr. Sires also

opined that United Cities is operating the PGA Rider in compliance with Commission Orders. (Testimony of Sires, p.1, l. 21 – p.2, l. 7.).

Mr. Sires further testified that United Cities has demonstrated prudent actions in maintaining adequate supplies at just and reasonable costs. Mr. Sires pointed to several areas in support of his conclusion. First, Mr. Sires stated that United Cities has not experienced loss of sales to industrial customers with alternate fuel capabilities. Secondly, Mr. Sires stated that United Cities' forecasted firm Peak day requirements are 8,865 Dth and that United Cities' has firm demand entitlements under contract with suppliers of 9,005 Dth. Mr. Sires stated that the Utilities Department believes that United Cities has made prudent decisions in meeting its supply requirements for its firm customers' demand entitlement and in competing in the competitive alternate fuel market. (Testimony of Sires, p. 8, l. 8 – p. 10, l. 16.).

Based on the evidence presented at the hearing, the Commission concludes that United Cities' gas purchasing practices and policies are hereby found to be prudent.

Therefore, based on the Commission's Findings of Fact and Conclusion set forth above, IT IS THEREFORE ORDERED THAT:

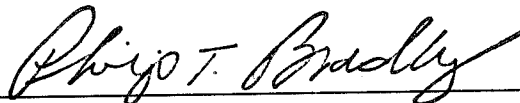
1. A Balancing Adjustment of (\$0.0106) per therm applicable to Firm customers and (\$0.0041) per therm applicable to Optional or Interruptible customers is approved for United Cities for the next review period and shall be effective with the first billing cycle in November 1998.

2. The Company's Gas Purchasing Policies and Practices are hereby found to be prudent.

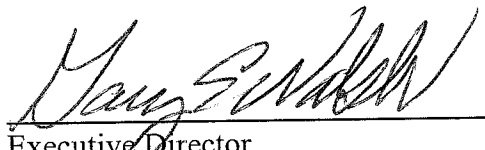
3. No changes are needed in the Gas Cost Recovery Procedures of United Cities, and the present procedure shall continue.

4. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)